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Financial Statement

of

GEO. A. **HORMEL** & CO.

AUSTIN, MINN.

for the

Fiscal Year Ended October 25, 1930



Austin, Minn.,
Nov. 15, 1930.

To the Stockholders
of Geo. A. Hormel & Company:

During the fiscal year which closed October 25, 1930, Geo. A. Hormel & Company did the largest business in its history. This increase in sales is not due entirely to any one branch of the business, for each of the distributive outlets of the Company show some growth.

The financial position of the company is better than at any time in its history. It will be noted that the quick assets are 8.8 times the current liabilities, and there is no funded debt.

The net earnings for the past year, after preferred stock dividends, interest, depreciation, and taxes, including Federal Income Tax, were \$1,152,331.93, equal to \$2.33 per share on the common stock.

This drop in earnings may be partly due to the general depression in price and in inventory values which has affected our business along with all American industry. Part, however, is due to a loss of earnings suffered during the early part of the year because of lack of balance between production and sale of certain new products which the Company has developed.

The Company's balance sheet shows unusually low inventories as compared with unusually high inventories a year ago. Thus, production will this year be in direct proportion to sales, whereas the past year, because of large inventories, manufacture—and thus manufacturing profits—were materially below sales, in volume.

The good name and good will of the Company have enhanced much in value during the past three years. New products which the Company has produced under the FLAVOR-SEALED brand have now become staple articles of food. More than a million dollars have been spent in advertising these products, and all this advertising expenditure has been charged off as an expense. The dependable earnings from this FLAVOR-SEALED group of products are constantly increasing, and the Company's advertising expenditures are increasing in proportion.

During the coming year our advertising program anticipates expenditures in excess of half a million dollars. This will include full page four-color advertisements in such leading national publications as The Saturday Evening Post, the Ladies' Home Journal, the Woman's Home Companion, and Cosmopolitan. Supporting this magazine advertising will be a radio program covering the entire nation through thirty-two stations of the Columbia Broadcasting System, and the Don Lee Broadcasting System on the Pacific Coast.

(Continued on seventh page)

GEO. A. HORMEL & COMPANY (Incorporated in

Condensed Consolidated Balance Sheet

A S S E T S

CURRENT ASSETS:

Cash - - - - -	\$2,086,719.80
Accounts receivable—Customers (less reserve for doubtful accounts, \$15,000.00) -	1,276,714.32
Finished goods, goods in process, materials, and supplies—Less drafts against consignments, \$300,577.87 (based principally on physical inventory; valued at \$208,996.47 less than market on October 25, 1930; not audited as to quantities) -	<u>3,860,452.63</u>
Total current assets - - -	\$ 7,223,886.75

PLANT PROPERTY — AT COST:

Land - - - - -	\$ 101,144.42
Buildings, machinery, and equipment (less reserves for depreciation, \$983,595.89) -	<u>3,659,121.24</u>
Net plant property - - -	\$ 3,760,265.66

SUNDRY ASSETS:

Investment in and account receivable from foreign subsidiary not consolidated -	\$ 248,726.13
Compensation insurance fund (Treasury stock — Preferred) - - -	10,000.00
Treasury stock — 8,605 shares of common and 35 shares Class A-6% preferred — At cost - - - - -	257,366.55
Other investments — At Cost (less reserve, \$11,600.00) - - - - -	76,054.67
Employees' stock purchase notes - - -	230,829.67
Sundry notes, accounts, advances, etc. -	128,799.60
Real estate — Other than plant - - -	<u>152,190.64</u>
Total sundry assets - - -	\$ 1,103,967.26

PREPAID EXPENSES - - - - -	<u>96,627.29</u>
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TOTAL - - - - - \$12,184,746.96

NOTE: Contingent liabilities—On notes and drafts discounted, \$98,183.61; and Geo. A. Hormel & Company:

CERTIFICATE

We have examined your accounts, and the accounts of your domestic October 25, 1930, and of reviewing the operations for the fiscal year ended that date. WE HEREBY CERTIFY that in our opinion the above balance sheet forth, respectively, the consolidated financial condition of the companies at O that date.

Minneapolis, November 11, 1930.

Delaware) **AND DOMESTIC SUBSIDIARIES**

Balance Sheet, October 25, 1930

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and customers' credit balances - - - - -	\$ 181,962.04
Accrued expenses, bonuses, and taxes (including Federal income tax) - - -	362,635.59
Dividends payable November 15, 1930:	
On preferred capital stock - - -	28,768.00
On common capital stock - - -	246,972.00
Total current liabilities - - - - -	\$ 820,337.63

RESERVES:

For compensation insurance and pensions	\$ 110,944.25
For contingencies - - - - -	25,000.00
Total reserves - - - - -	\$ 135,944.25

CAPITAL:

Preferred capital stock — Cumulative (authorized 50,000 shares of \$100.00 each):	
Class A-6% (Outstanding, 14,554 shares)	\$1,455,400.00
Class B-7% (Outstanding, 991 shares) -	99,100.00
Common capital stock (authorized, 500,000 shares without par value; outstanding, 493,944 shares) - - - - -	6,116,585.81
Surplus, per accompanying summary of income and profit and loss, - - -	3,557,379.27
Total capital - - - - -	\$11,228,465.08
TOTAL - - - - -	\$12,184,746.96

Miscellaneous, approximately \$90,000.00.

C A T E

the subsidiaries for the purpose of verifying the stated financial condition at date, and
and accompanying summary of income and profit and loss correctly set
October 25, 1930, and the results of their operations for the fiscal year ended

HASKINS & SELLS

Summary of Income and Profit and Loss for the Fiscal Year Ended October 25, 1930

GROSS SALES	-	-	-	-	-	-	\$43,054,519.54
DEDUCT:							
Returns and allowances	-	-	-	-	\$	91,318.60	
Freight and express outward	-	-	-	-		1,822,017.50	1,913,336.10
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NET SALES	-	-	-	-	-	-	\$41,141,183.44
Cost of Product Sold, Selling and Administrative Expenses, and Other Charges, Net (Excluding Depreciation and interest)	-	-	-	-	-	-	\$39,331,929.46
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NET INCOME BEFORE DEPRECIATION, INTEREST, AND FEDERAL INCOME TAX	-	-	-	-	-	-	\$ 1,809,253.98
DEDUCT:							
Depreciation	-	-	-	-	\$	329,956.94	
Interest paid — Net	-	-	-	-		58,006.95	
Provision for Federal Income Tax	-	-	-	-		175,000.00	562,963.89
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NET INCOME	-	-	-	-	-	-	\$ 1,246,290.09
DIVIDENDS ON PREFERRED CAPITAL STOCK	-	-	-	-	-	-	93,958.16
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NET EARNINGS APPLICABLE TO COMMON CAPITAL STOCK	-	-	-	-	-	-	\$ 1,152,331.93
SURPLUS, OCTOBER 26, 1929	-	-	-	-	-	-	3,347,922.13
OTHER PROFIT AND LOSS CREDITS:							
Reduction of income taxes accrued in prior year	-	-	-	-	\$	19,855.39	
Recoveries on assets previously written off	-	-	-	-		18,888.53	
Miscellaneous	-	-	-	-		2,549.79	41,293.71
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GROSS SURPLUS	-	-	-	-	-	-	\$ 4,541,547.77
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PROFIT AND LOSS CHARGE — Dividends on Common Capital Stock	-	-	-	-	-	-	984,168.50
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SURPLUS, OCTOBER 25, 1930	-	-	-	-	-	-	\$ 3,557,379.27

This radio program will be given by Ida Bailey Allen, one of the nation's foremost cooking experts, author of various books on home economics, and president of the National Radio Home-Makers Club, who will tell the women of America about Hormel FLAVOR-SEALED Foods every Wednesday morning at 11 o'clock Eastern time, 10 o'clock Central time, 12 o'clock Mountain time, and 11 o'clock Pacific Coast time.

The scientific research carried on by Geo. A. Hormel & Company has been productive of many interesting and valuable developments. Most of these, of course, only play their part in making some product better, or some method more economical. One which is of interest to the general public, however, is a new method of treating the sewage from packing plants in such a way as to not only abate the nuisance which is caused by the pouring of such wastes into lakes and streams, but to salvage the solids from waste waters and convert them into merchantable material of high nitrogen content. Although this method of treating has been in laboratory and semi-commercial operation for many months, the Company is just now completing a plant for the application of this process to all its own wastes. Whatever may be the monetary value of this process, it will at least relieve the Company from the embarrassment which results to any industry which is causing the pollution of streams and the destruction of fish life. Some authorities anticipate that this process will soon be in use wherever a packing plant may be located, and that it will serve, also, to dispose of the wastes of several other types of industries. The solving of this problem reflects considerable credit to the scientific staff of our research department, for it is a problem which has long engaged the attention of sanitary engineers in many parts of the country.

Although it has been the Company's aim constantly to improve the quality of all its products, special effort has been given to keeping the standard of the FLAVOR-SEALED foods so high that the stockholders may well be proud of them. Since no advertising equals the spoken word of an enthusiastic user, each stockholder is urged to become acquainted with all the products sold under the FLAVOR-SEALED brand, to discover the convenience and goodness of them, and to recommend them to friends.

JAY C. HORMEL,
President

GEO. A. HORMEL
Chairman of the Board

BEN F. HORMEL
Senior Vice-President

JOHN G. HORMEL
Secretary

M. F. DUGAN
Treasurer

H. H. COREY
Vice-President for
The PACKING Division

R. H. DAIGNEAU
Vice-President for
The ABATTOIR Division

E. N. STURMAN
Vice-President for
The FLAVOR-SEALED Division

